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the business year

ZAMBIA
2017

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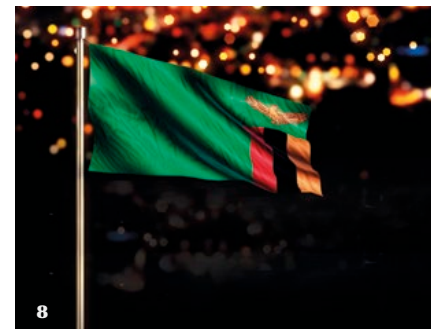
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Zambia has long been a bastion of stability in Southern Africa, and while its economy has been rocked in recent years by the falling value of copper prices, a devaluating kwacha, and high inflation, through the Economic Recovery Program the government has bold ambitions to right the ship.

Year in Review

ZAMBIA'S ECONOMY is built on copper, with the metal accounting for 80% of foreign earnings. Before 2015, the country had enjoyed a decade of strong growth that saw its GDP peak at USD28.05 billion in 2013. From 2015 on, however, Zambia has felt the pain of falling commodity prices and a drop in demand from key markets such as China. In 2015, the kwacha became the worst-performing currency in Africa, falling 50% against the dollar. Combined with the higher price of imported goods (Zambia ran a current account deficit of 3.5% of GDP in 2015, and 4.5% in 2016), inflation began to rise, from 7.9% in 2014 to 21% in 2015 and 19% in 2016. Amidst international concerns over what this all meant for the nation's economy, the Bank of Zambia (BoZ) stepped in, raising the policy rate from 12.5% to 15.5% in 2015, which, while successful at lowering the price of essential consumer items, limited access to the credit needed for investment and growth. With that in mind, in February 2017 the BoZ cut the rate to 14%, citing the fact that inflation had further slowed to 7% as of January 2017.

Over recent years, much growth has been sustained via public spending, with 28.1% of GDP spent on public expenditures in 2015. That same year, the fiscal deficit reached 9.4% of GDP, remaining at 10% in 2016. Hoping to reverse this situation, the government announced that it aims to narrow that gap to just 7% in 2017 via reduced borrowing. It stops short of full austerity, however, with the authorities shunning some international calls for more belt tightening, citing the need for continued social spending. This includes increases in education spending (ZMW9.1 billion to ZMW10.6 billion), health spending (ZMW4.4 billion to ZMW 5.8 billion), and agriculture, which saw the Farmers Input Support Program budget increased by 160%.

Indeed, the budget has been on center stage of late, with the Minister of Finance using the opportunity to launch the Economic Recovery Program. The plan has five pillars, including boosting fiscal sustainability, increasing social protection, cutting waste, improving budget credibility, and promoting economic stability by reducing red tape around the private sector.

Amongst other initiatives already underway is a USD50 million credit line from the African Development Bank to set up an SME lending program. With more than 70% of GDP derived from SMEs, the government is keen to offer smaller firms better access to financing. Discussions are

also ongoing with the IMF over a potential aid program, although concerns at the Fund exist over the budget deficit and the country's potential inability to meet debt obligations, with USD750 million due to be paid by Zambia when its first Eurobonds begin to mature in 2022. Whatever kind of deal is made, it is clear it will come with the requirement of further fiscal consolidation.

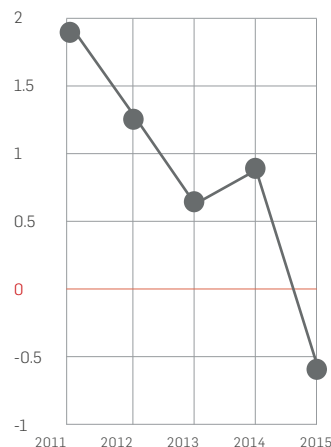
At the head of the ship is President Edgar Lungu, elected in a by-election in 2015 following the death of his predecessor and then elected to a full presidential term in August 2016. On the international stage, he has taken up a series of interesting positions, voicing support for the Sahrawi Arab Democratic Republic (SADR), only to later back Morocco's claim's over Western Sahara while simultaneously signing 19 partnership agreements with Morocco during King Mohammed VI's visit to Zambia in February. Lungu has also overseen a golden age in relations with Israel, paying a visit to PM Netanyahu in February to discuss knowledge transfers between the countries. PM Netanyahu was particularly praiseworthy about the recent opening of a synagogue and Jewish history museum in Lusaka. He also announced that Israel hopes to send experts to Zambia to assist with alternative energy, water issues, and in other areas in return for Zambia advocating for the renewal of Israel's observer status in the African Union, which it lost in 2002. Zambia is also keen to develop ties closer to home, however, boosting ties with Uganda. The two countries agreed to open embassies in the respective capitals as a result. More significantly, in mid 2016 Zambia signed a deal with Uganda to build an oil pipeline from the latter to the Indeni oil refinery in Zambia's Copperbelt province. Lungu also visited Madagascar, Morocco, Equatorial Guinea, and Tanzania in November 2016 and Kenya, South Africa, and Egypt in December. Part of Lungu's prerogative in doing so was to gain Zambia observer status in the Northern Corridor Transit and Transportation Coordination Authority, a transit agreement between the land-locked countries of Uganda, Burundi, and Rwanda, on the one hand, and Kenya, on the other, whereby the former gain access to the port of Mombasa on Kenya's Indian Ocean coast. Shrugging off concerns that the president spends too much time abroad, the authorities have pointed out that, as a landlocked country, Zambia must be willing to take chances if it is to shine on the global stage. ✖

GDP PER CAPITA
USD1,304.88

INFLATION
6.66%

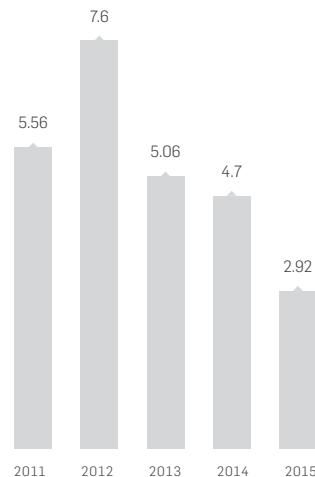
TRADE BALANCE (BILLIONS)

SOURCE: THE WORLD BANK



GDP GROWTH (%)

SOURCE: THE WORLD BANK



THE BUSINESS YEAR IN ZAMBIA

Elections, visits from the IMF and the King of Morocco, and an astonishing and inspirational football victory have meant Zambia's calendar has been jam-packed this year.

MAY 2016

The annual meeting of the **African Development Bank** is held in Lusaka, May 23-27 with the theme Energy and Climate Change.



AUGUST 2016

President Lungu, elected in 2015 to finish the term of Michael Sata, who died in office, **wins 50.35% of the vote** to be re-elected president. His party, the Patriotic Front, wins 80 of 156 seats, its first-ever majority vote.

SEPTEMBER 2016

President Lungu gives his inaugural presidential speech, stressing the need for Zambia to **diversify away from copper to agriculture, manufacturing, and tourism.**



OCTOBER 2016

Finance Minister Felix Mutati **launches the Zambia Plus economic recovery program**, designed to spur domestic productivity through strengthening ties with external donors and developers.

NOVEMBER 2016

In the wake of **discussions between the IMF and the Zambian government** about a possible bail-out program, the IMF conducts a mission to Zambia to assess the economic situation.

DECEMBER 2016

The inflation rate at YE2016 closes at 7.5%, matching the target set by the Bank of Zambia of single-digit inflation. This marks a successful recovery after inflation rates rose during the previous years.

FEBRUARY 2017

King Mohammed VI of Morocco visits Zambia, accompanied by a large delegation including several members of his cabinet, and signs 19 MoUs.



MARCH 2017

The Zambian youth football team wins the Under 20 African Cup, beating favorites Senegal 2-0 in the National Heroes stadium in Lusaka. The young "Chipolopolo" become object of the nation's sporting hopes.

APRIL 2017

Financiers meet to discuss the terms of the Batoka Gorge power project, a JV between Zambia and Zimbabwe to develop a power station on the Zambia River at an estimated cost of USD4 billion.





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António Guterres, Secretary General of the United Nations, on the potential for growth across Africa.

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Zambia is becoming a somewhat unlikely torch-bearer in the global move to re-integrate millions of people of concern.

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TBY talks to Mladen Ivanić, Chairman of the Presidency of Bosnia and Herzegovina.

Diplomacy

REVIEW

Squeezed between a rock and a rather hard place by the slowdown in Chinese demand for copper, by far Zambia's biggest export and government-revenue generator, President Lungu has been forced to get creative in his country's alliances to broaden revenue streams and lessen its dependence on the vagaries of one foreign market.

CONVOKE, CONFOUND & COLLECT

Zambia escaped the series of wars, unrest, and post-colonial social breakdown that shaped much of southern African history in the past half-century. Yet, while it managed to evade (local) man-made disasters, it still has to deal with the wrath of mother nature and, for a country overly dependent upon commodity exports, the tyranny of blind market forces. As the second-largest copper producer in Africa and the eighth largest in the world, Zambia remains critically over-dependent upon the metal: it relies on copper for 70% of its foreign currency reserves and 30% of total government revenue. And the last two years have not been kind to copper.

With China accounting for 40% of the metal's global consumption, any slowdown in the middle kingdom causes serious ruptures in the Zambian economy and, by extension, politics and society. Indeed, one metric found it was the country most ex-



Image: Natanael Ginting

The Zambian government has assumed a maverick position on issues ranging from Israel to Western Sahara.

posed to fluctuations in the Chinese economy in the entirety of Africa. And though the country experienced unprecedented growth starting around 2000, growing on average 6.4% between 2005 and 2015, a falloff in demand from China combined with a domestic energy crisis fueled by poor water management led to the massive decline of the price of copper, the momentary closure of several of the country's largest mines (the Anglo-Swiss conglomerate Glencore's mine in Mopani and the Chinese-owned Luanshya Copper Mines at Baluba), and the near-collapse of the country's currency, the kwacha.

With the sad distinction of being Africa's worst-performing currency in 2015, President Edgar Lungu, first elected in January 2015 following the unexpected death of his predecessor, Michael Sata, found himself forced to take drastic measures to save the kwacha from further erosion. Thus he issued a sovereign bond in July 2015 that helped raise USD7 billion

toward plugging the hole in foreign currency reserves and government revenue. In combination with further belt-tightening by the Zambian central bank, this helped stave off further decline of the kwacha—but it significantly increased the country's public debt to GDP ratio.

As a result of these tumultuous economic trials, the country has been forced to reevaluate several of its longstanding diplomatic, geopolitical, and philosophical positions in the region. Though far from a continental powerhouse, the country has taken a strong stand on various issues over the years, not in the least its support for the Sahrawi Arab Democratic Republic (SADR) and its chief political-military advocate, the Polisario Front, against the Kingdom of Morocco in those parties' claims to represent the legitimate government of the Western Sahara.

In February 2016 President Lungu made an unsuspected move when he decided to recognize the independence of Western Sahara and accuse Morocco of colonizing another African country. This came in addition to several pointed criticisms that Lungu had made of Morocco for purportedly turning its back on Africa in its desire to establish closer ties with Europe by attempting to join, among others, the European Economic Community. "I wish to assure you," he reassured Western Sahara's ambassador to Zambia Salam El-Mami in February 2016, "of our relentless collective calls for the independence of the people of the Sahrawi Arab Democratic Republic."

In December 2016, the king of Morocco repaid the favor by canceling last minute that monarchy's first-ever planned visit to Zambia, a move that led to much speculation. Then in January 2017, with the ball back in Lungu's court, he returned the volley by inviting the president (in exile) of the Sahrawi Republic, Brahim Ghali, to Zambia. During their meeting, Lungu told his "counterpart": "We are truly behind Sahrawi for the emancipation of the country and its people." He added to that by reiterating the unity of the African continent and reprimanding those "northern" parts of the continent that sought further concurrence with Europe.

The point, it would seem, had been made more than clearly enough. Zambia and its

president were not only standing by the only member of the African Union, the Sahrawi Republic, not to enjoy internationally recognized (or real-life appreciated) sovereignty; they were working to isolate the one African country, Morocco, which did not enjoy membership in the African Union. Having left what was then the Organization of African Unity (OAU) in 1984 to protest that body's acceptance of the Sahrawi Republic, Morocco spent the next 33 years in the (relative) diplomatic wilderness.

All that changed in February 2017 when King Mohammed VI paid an unexpected trip to Lusaka, the capital of Zambia. In an abrupt volte-face, Lungu had a change of heart (as a result, it would seem, of a literally good change of fortune) and recognized Morocco's claims over Western Sahara. Hosting the first visit of a Moroccan head of state to Zambia, Lungu also oversaw the signing of 19 partnership agreements between Morocco and Zambia.

Accompanying the Moroccan king were that country's ministers of housing and urban policy; agriculture and fisheries; tourism, industry, trade, investment, and digital economy; energy, mines, water and environment; and health. Several civilian and military figures also accompanied the royal entourage. But the move was more than a bilateral warming of ties; coming just on the heels of Morocco's reentry into the African Union (January 30), it was also a "hearts-minds-and-wallets" extravaganza in which the kingdom rewarded regional allies for what had been a controversial process of gaining re-admittance into the continental club.

After all, Zambia and Lungu in particular were forced to go against the explicit wishes of their largest trading partner, South Africa, in backing Morocco's reentry into the club (without relinquishing its claims on Western Sahara). But though South Africa accounts for one-third of Zambia's imports, they aren't forking over the nitrogenous fertilizers for free. In return for cash and, presumably, knowledge, the newfound friendship with Morocco works in both countries' favors: Morocco gets a vocal ally that relinquishes its long-time opposition to Morocco's annexation of Western Sahara, while Zambia gets much-needed cash flows in a time of acute economic turmoil.

PALESTINE

As if to prove his metaphysical as well as diplomatic independence, Lungu has also changed tack on the Israeli-Palestinian question. Though an unsuspected source of diplomatic inspiration for the millennium's thorniest issue, Zambia's newfound commitment to Israel is in line with the rest of Lungu's diplomacy: known as the confound-and-collect blitzkrieg, it is a nuanced form of statecraft that backs the least-popular side in a controversial conflict. In return for its independence of spirit and ability to think outside the box, Zambia's diplomatic support is rewarded by its weight in gold and expertise.

A deft maneuver, it already seems to be paying off. Opening the first Zambian Embassy in Tel Aviv in 2015, the Zambian president was warmly received by Prime Minister Benjamin Netanyahu in February 2017 to discuss commercial and knowledge transfers between the two countries. Bringing a bevy of ministers with him to discuss agriculture, water, education, security, and anti-terrorism with their Israeli counterparts, Lungu's mission seems likely to cement a fruitful and long-term friendship.

Netanyahu, for his part, expressed Israel's pleasure that Zambia was opening both a Jewish history museum and a synagogue in Lusaka. To bolster the friendship, he said, "We hope to send our experts to help with alternative energy, with water, and other areas." In return, Zambia has agreed to buck the trend in the African Union and advocate for the renewal of Israel's observer status, a position it lost in the organization (and which Palestine enjoys) in 2002. If successful on both accounts of increasing knowledge, capital, and energy-related transfers and efficiently lobbying for peripheral players within the African Union (in this case Morocco and Israel), Zambia will have taken an important step in offsetting its dependence on copper and the fluctuations of the Chinese economy with shrewd diplomatic legerdemain.

Closer to home, Zambia has also been boosting relations with regional partners in the Southern African Development Community (SADC), an integrated economic market of 15 neighboring countries whose total market is 294 million inhabitants. Though historically good, ties with Uganda in particular have been bolstered during President Lungu's first and now second term. In 2016 the two countries agreed to open embas-

Closer to home, Zambia has also been boosting relations with regional partners in the Southern African Development Community (SADC), an integrated economic market of 15 neighboring countries with 294 million inhabitants.

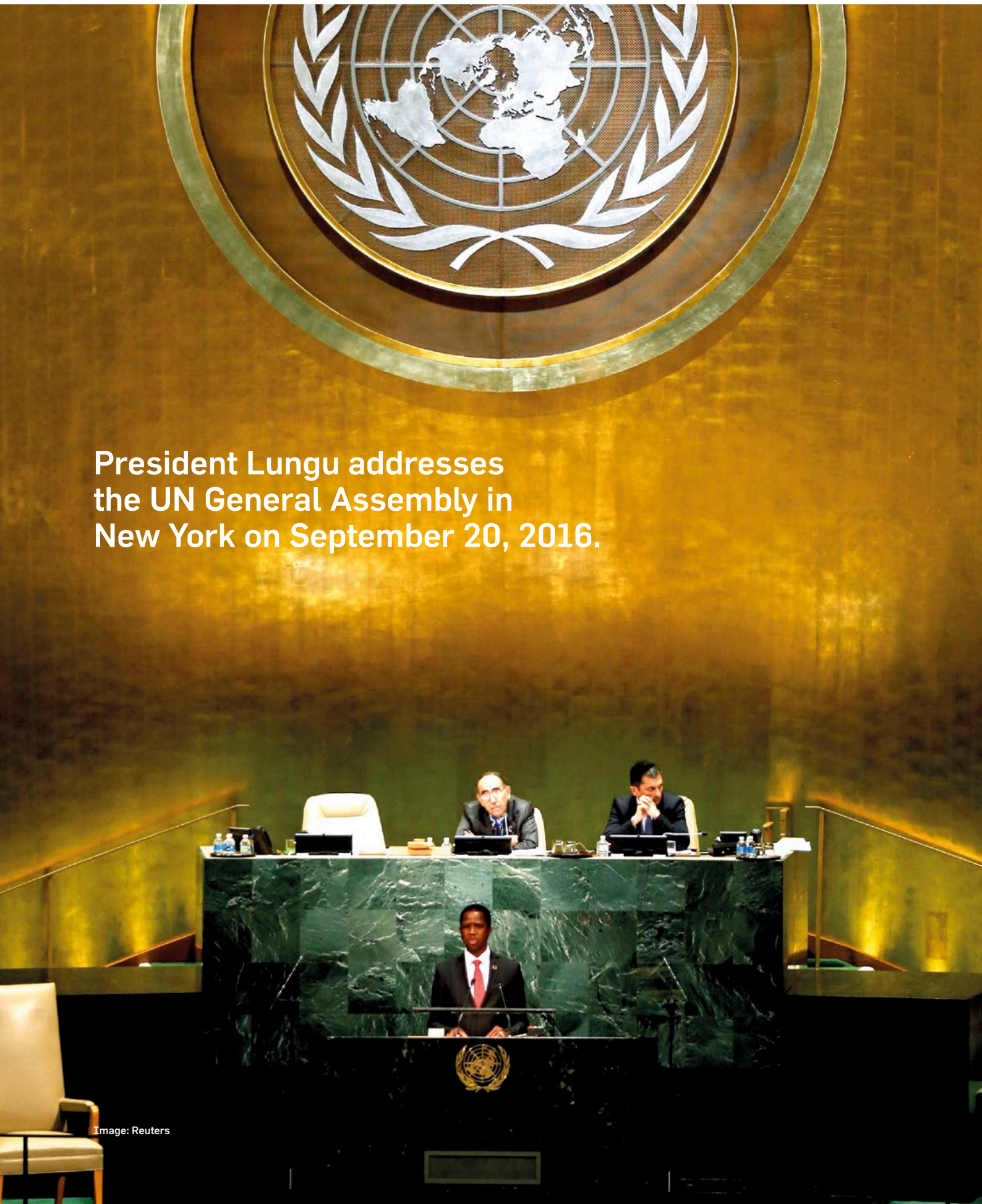
sies in each of the other's respective capital to replace the High Commissioners that previously carried out such duties. Yet even more important was the announcement in July 2016 that plans were underfoot to build an oil pipeline from Uganda to transport crude from recently discovered fields (whose management France's Total recently acquired) to Zambia's Indeni oil refinery in the latter's Copperbelt province.

While Lungu remains on close personal terms with Ugandan president Yoweri Museveni, he also partook in a diplomatic blitzkrieg across Africa in the autumn of 2016 that took him to Madagascar, Morocco, Equatorial Guinea, and Tanzania in November and Kenya, South Africa, and Egypt in December. Part of Lungu's prerogative in doing so was to gain Zambia observer status in the Northern Corridor Transit and Transportation Coordination Authority, a transit agreement between the land-locked countries of Uganda, Burundi, and Rwanda, on the one hand, and Kenya, on the other, whereby the former gain access to the port of Mombasa on Kenya's Indian Ocean coast.

Though Lungu came under fire at home for spending so much time abroad in the wake of his August reelection, on several occasions being unfavorably compared to Tanzanian President Magufuli—a man who "eschews foreign travel to fix his country's domestic problems"—it is clear that Zambia cannot isolate itself from the international community, either. Rather, as Lungu seems to have intuited, it must diversify its connections, acquaintances, and mutual obligations. Only by doing so will it overcome to the economic—and hence geopolitical—isolation that comes from being overly dependent upon one lone commodity and a single export destination.

Not only can Zambia afford to take certain diplomatic gambles (as it has with Morocco and Israel) if it is to bring its people up from dire poverty, under which 60% of the country's population currently beleaguers, it must. ✕

President Lungu addresses
the UN General Assembly in
New York on September 20, 2016.



INTERVIEW



TBY talks to **HE Edgar Chagwa Lungu**, President of the Republic of Zambia, on providing balanced growth for Zambia, encouraging an agricultural revolution, and fighting corruption.

BIO

HE Edgar Chagwa Lungu was born in November 1956 and is a lawyer by profession. His education was taken at the University of Zambia, and he had a distinguished career in the military before joining politics. As a member of the Patriotic Front (PF), he served as MP for the Chawama Constituency, Minister of Justice, Minister of Defence, and now President of the PF and the Republic of Zambia.

a sustained EFFORT

Your economic platform centers on job creation, industrialization, and capital market development. How do you strike the balance between boosting economic growth and providing support for all Zambian citizens?

The PF government has pro-poor policies and, therefore, we are aware of the urgent need to improve the living standards of our people, hence the unwavering commitment to forge an environment in which our people will be able to sustain themselves. We are therefore committed to achieving Vision 2030, which involves Zambia becoming a prosperous middle-income country by implementing programs that will address the poverty that many Zambians are facing. This will entail empowering them with the means to boost their productivity and to create wealth. We are already making efforts to improve the livelihoods of the Zambian people, especially the vulnerable, through various empowerment interventions such as social cash transfer, the farmer input support program, and the food security pack, including the school feeding program for our children. The government wants to see a vibrant economy for all. This is why our national development agenda, which is in line with the 7th National Development Plan, is skewed toward diversifying the economy away from mining to industrialization, agriculture, tourism, and energy, among other sectors. Once we attract investments to these sectors, there will be job creation for our people. As we build multi-facility economic zones across the country, massive investments are expected from both local and foreign investors, who will create thousands of jobs for our people. This has started happening and a classic example is the recently commissioned USD300 million Zambian Breweries Malting Plant in the Lusaka South Multi facility Zone creating jobs not only for small-scale farmer cooperatives but also commercial farmers who will be able to grow barley, which is a vital ingredient for beer brewing. Through the Industrial Development Corporation (IDC), a number of companies have started responding positively to our policies of industrialization and job creation.

You have outlined your commitment to an approach that is inclusive, integrated, and holistic. What is the importance of synergistic governance, and how will this manifest in your economic policy?

Synergistic governance plays a significant role in our efforts to achieve national development. Everyone must rise to the challenge of creating wealth and jobs for our people. This is not only the responsibility of government alone but it calls for the combined efforts of private-sector players. My government has provided a conducive environment to ease the conducting of business. This is of course through an integrat-

ed, multi-sectoral approach that promotes synergies across sectors. It is for this reason that my government created the Ministry of Planning and National Development to effectively coordinate various sectors and consolidate linkages among government ministries to effectively and efficiently address developmental challenges collectively.

How pivotal is innovation for your envisaged green revolution in Zambia?

This simply entails changing the way we do things. Therefore, to achieve a green revolution in Zambia, it is critical to have massive innovation as this is the bedrock of development. You may wish to note that our people, since time immemorial, have used rudimentary tools in their farming activities and this has negatively impacted yields. In this regard, my government is changing the agriculture sector by making it more mechanized. We are focusing on mechanizing the sector to enhance production and this means that our small-scale farmers have to be empowered with agricultural implements and machinery. We will be partnering with the government of India in this regard. In addition, a company from Poland called Ursus has shown interest in setting up a USD100 million assembly plant for agriculture equipment in Zambia.

In addition to your introduction of radical legislation that stipulates all government officials must engage in at least one agro-based activity, how else does your government propose fostering agricultural innovation in Zambia?

There is a need for us to exploit seed varieties other than the white maize seed that our people have grown accustomed. You may also wish to note that we have already started implementing this. However, our diversification program with emphasis on agriculture requires us to enhance R&D to exploit other seed varieties. In addition, our country has, for a very long time, depended on rain for farming activities, but we are now taking a shift to promote irrigation and our target is to bring 5,000ha of land under irrigation annually. The Ministry of Agriculture through the Irrigation Development Support Programme has since started developing irrigation schemes across the country. Besides, we are changing the way our farmers perceive farming. We want them to begin to treat it as a lucrative business, hence under the Second National Agricultural Policy (SNAP), the main thrust of which is increased production and productivity, we are promoting commercialization of agriculture among various other measures. Most importantly we need a massive injection of funds into the sector and to make credit facilities easily accessible to farmers.

With increased global awareness of the importance of conscientious tourism, how do you plan to marry the momentous boosting of Zambia's status as a tourism hub in Africa with protecting the environment and mitigating the effects of climate change?

My government recognizes the importance of conscientious tourism, particularly as this relates to balancing between increasing its gains from tourism development and protecting the environment and mitigating the effects of climate change. As articulated in the Ministry of Tourism and Arts 2015 National Tourism Policy, the ministry is guided by the principles of sustainable development as it plans and develops tourism. To actualize these principles, my government, through the ministry, will continue to apply the strategies of low volume, high-quality tourism products in all pristine and ecologically sensitive areas including planned and controlled mass tourism developments with potential to accommodate this kind of use. The ministry values synergies, hence its focus on multi-stakeholder approaches to ensure that all social, economic, and environmental concerns are carefully captured and incorporated in plans before implementation and, where relevant, mitigation measures are devised, adopted, and implemented. Currently, the ministry is crafting the National Tourism Development Master Plan (NTDMP), as provided for in the policy, which will be used as the overall development guide once completed. The first phase of the NTDMP focuses on generating destination plans for specified areas with tourism development potential and this process will be rolled out to other areas across the country. In addition, the ministry is collaborating with cooperating partners at bilateral and multilateral levels on development initiatives aimed at conserving and sustaining trans-boundary ecosystems using tourism as an economic driver, such as the Kavongo-Zambezi (KAZA) Trans-frontier Conservation Area (TFCA) and the Malawi-Zambia TFCA. The Zambian government through the ministry has also signed agreements with the United Nations Educational Scientific and Cultural Organisation (UNESCO) for the protection, conservation, and management of World heritage sites such as the global wonder, the Victoria Falls. My government will continue to encourage key stakeholders in the tourism industry, especially the private sector, to switch from practices that generate adverse impacts on the environment to sustainable development practices such as the use of clean renewable energy (i.e. creating eco-lodges and hotels that will increasingly adopt and use solar powered lighting and cooking, solar motorcars for movement of clients on their premises), encouraging environmentally sound waste management, constructing appropriate paved or raised walkways or platforms to protect environmentally sensitive areas from negative impacts, purchasing organically produced vegetables and fruit from local farmers, and many more practices.

How will your efforts to eliminate corruption and your zero-tolerance stance forge the way for a more transparent and unified Zambia, and what will be the consequences of this?

I would like to state from the outset that corruption impedes any form of national development. If left unchecked, corruption can leave permanent scars that can be difficult to address. No country can achieve meaningful socio-economic and political development if its moral fabric is compromised. This vice must therefore be fought holistically, which means tackling related crimes such as bribery, money laundering, and drug trafficking, which siphons the country's collective wealth into individual pockets, thus depriving the Zambian people of quality education, health, infrastructure, and other vital basic needs. In order to be successful in this fight, concerted efforts must be employed and the fight against graft must be made at individual, community, and national levels. This fight is an onerous task that calls for concerted efforts. With the right attitude and unquestionable commitment, it is attainable. The fight against corruption is important to the promotion of good governance and integrity. To forge a more transparent and unified Zambia we need to promote a culture of maximum restraint anchored on national values and principles that are stipulated in the Constitution of Zambia. These principles and values include morality and ethics, patriotism, and national unity, including good governance and integrity. There is also urgent need for us to strengthen the Public Service Code of Ethics to address impropriety among our public service employees. This code of ethics espouses among other values honesty, excellence, integrity, accountability, loyalty, and selflessness. Similarly, it is imperative for the private sector to enhance corporate governance to govern the professional conduct of the corporate world. In case there are private sector organizations that do not currently subscribe to any code of ethics, it is imperative that they develop one and institutionalize it. As we fight corruption, it should be in our minds that "charity begins at home." If we are to win this fight, parents, guardians, teachers, the media, and traditional leaders including politicians must be involved in inculcating the principles of good morals and ethics among our children and youth by closely nurturing and monitoring their activities. This will result in us grooming responsible young women and men who will be able to manage the affairs of the nation with honesty, integrity, and respect inter alia. As a Christian nation, the church equally has a big role to play in ensuring that all of us move within the confines of the Christian values that we profess. Furthermore, my government's desire to embrace technology through the introduction of e-governance is also anticipated to give us results in our fight against corruption. With information, communication, and technology, the provision of services in public institutions will be automated, thereby minimizing corrupt activities. ✖



first things FIRST

TBY talks to **Jacob Zuma**, President of South Africa, on boosting bilateral relations, exporting South Africa's conducive business environment to Zambian firms, and augmenting intra-African trade.

BIO

Jacob Zuma became an active member of the African National Congress (ANC) in the 1950s. He was arrested in 1963 and sentenced to 10 years imprisonment on Robben Island. In 1973, he continued his activities in exile in southern African countries. In 1999, Zuma was appointed Deputy President of the Republic and assisted former President Nelson Mandela as Burundi peace mediator. He was inaugurated as President of the Republic for his first term in 2009 and assumed his second term in office in 2014. His priority during this second term is to mobilize society behind the 2030 Vision outlined in the National Development Plan, the country's socioeconomic development blueprint.

What was the upshot of the state visit by President Edgar Lungu to South Africa at the end of 2016?

We reviewed a wide range of bilateral, regional, and international issues. We expressed satisfaction at the strong bilateral relations existing between the two countries, founded on long-standing historical, political, economic, and cultural ties. We noted with appreciation the vast nature of the bilateral cooperation, which includes, amongst other areas, trade and investment, energy, agriculture, mining, defense, health, education, correctional services, and transport.

Economic relations between the two countries are growing stronger, with Zambia ranking as one of South Africa's top-three export sources in Africa. What can be done to further boost trade figures?

In order to increase trade between the two countries, there is a need for regular interaction of business communities from both countries, as well as companies from both countries taking part in various trade and investment-promotion missions. There is also a need to

ensure that the agreements signed on economic cooperation between the two countries are fully implemented. Finally, the business sector should be encouraged to take advantage of the South Africa-Zambia Business Council to explore ways to further participate in the economies of the two countries.

More than 150 South African countries have set up shop in Zambia. What further measures can be taken to encourage Zambian companies to enter the South African market in a similar fashion?

Through the established South Africa-Zambia Business Council, Zambian companies are encouraged to take advantage of South Africa's conducive investment environment, as well as encouraging partnerships or joint ventures.

What practical initiatives are being launched to illustrate Zambia and South Africa's mutual commitment to regional integration, particularly in the SADC?

The two countries regularly consult with each other on the political and security situation in the region and the continent. Furthermore,

South Africa and Zambia have committed themselves to working together in pursuit of sustainable peace and stability in the region. With regards to regional integration, the two countries fully support the implementation of the SADC Industrialization Strategy and Roadmap. Both countries participate in the Tripartite Free Trade Area (TFTA), which demonstrates a strong commitment to strengthening economic regional integration. There are also calls from both countries to pursue the creation of the Continental Free Trade Area (CFTA) in order to boost intra-Africa trade, and industrial and infrastructure development, ultimately impacting on the lives of our peoples.

How are the two countries working together toward achieving peace and political stability across the whole continent?

South Africa and Zambia constantly engage each other in particular to share perspectives on peace and security within the continent, and are committed to African unity and the implementation of the AU Agenda 2063 and its Action Plan. ✕



WISE *ideas*

António Guterres, Secretary General of the United Nations, on the potential for growth across Africa.

Far too often, the world views Africa through the prism of problems. When I look to Africa, I see a continent of hope, promise, and vast potential. I am committed to building on those strengths and establishing a higher platform of cooperation between the UN and the leaders and people of Africa. This is essential to advancing inclusive and sustainable development and deepening cooperation for peace and security.

That is the message I carried to the recent African Union Summit in Addis Ababa, Ethiopia—my first major mission as United Nations Secretary General. Above all, I came in a spirit of profound solidarity and respect. I am convinced that the world has much to gain from African wisdom, ideas, and solutions.

I also brought with me a deep sense of gratitude. Africa provides the majority of United Nations peacekeepers around the world. African nations are among the world's largest and most generous hosts of refugees. Africa includes some of the world's fastest-growing economies. We have the plans in place to build a bet-

ter future. The international community has entered the second year of implementing the 2030 Agenda for Sustainable Development, an all-out effort to tackle global poverty, inequality, instability and injustice. Africa has adopted its own complementary and ambitious plan: Agenda 2063.

For the people of Africa to fully benefit from these important efforts, these two agendas need to be strategically aligned. It starts with prevention. Our world needs to move from managing crises to preventing them in the first place. We need to break the cycle of responding too late and too little. Most of today's conflicts are internal, triggered by competition for power and resources, inequality, marginalization, and sectarian divides. Often, they are inflamed by violent extremism or provide the fuel for it.

The UN is committed to working hand in hand with partners wherever conflict or the threat of conflict endangers stability and well-being. But prevention goes far beyond focusing solely on conflict. The best means of pre-

vention and the surest path to durable peace is inclusive and sustainable development.

We can speed progress by doing more to provide opportunities and hope to young people. More than three out of five Africans are under 35 years of age. Making the most of this tremendous asset means more investment in education, training, decent work, and engaging young people in shaping their future.

I travelled to Africa as a partner, friend, and committed advocate for changing the narrative about this diverse and vital continent. Crises represent at best a partial view. But from a higher platform of cooperation, we can see the whole picture—one that spotlights the enormous potential and remarkable success stories in every corner of the African continent.

With that perspective, I have no doubt we can win the battle for sustainable and inclusive development which are also the best weapons to prevent conflict and suffering, allowing Africa to shine even more vibrantly and inspire the world. ✕

BIO

António Guterres is a Portuguese politician and diplomat who is serving as the ninth Secretary General of the United Nations. Previously, he was the United Nations High Commissioner for Refugees between 2005 and 2015.

SAFE HAVEN

With the world facing a mass population displacement crisis, the likes of which has not been seen since World War II, Zambia is becoming a somewhat unlikely torch-bearer in the global move to re-integrate millions of people of concern.

UNHCR FIGURES state that of the 16.1 million refugees of concern around the world at the end of 2015, less than 1% were resettled. Of the world's nations currently receiving migrants, just 87 have established resettlement programs. Some call this subdued response a global failure to mitigate the devastating social and economic effects of mass displacement.

Championed for many years as a stronghold of peace in the southern African region, Zambia now looks to take on a new role, with an innovative integration policy that sets an example to other nations across the globe. It has long been a host to refugees from neighboring African states, including Angola, Rwanda, the DRC, Burundi, Mozambique, and Somali. Since the 1950s, the country has welcomed with open arms those seeking asylum from war-torn and economically challenged countries. Many of these early refugees have since received Zambian permits or married Zambian nationals and are bringing up their children side by side with Zambian families.

In recent years, successful integration has been facilitated by a three-year local integration program (2013-2016). Following an agreement struck up between the Zambian, Angolan, and Rwandan governments, displaced persons from these two countries were able to settle formally on Zambian soil and obtain Zambian residency permits. Under this regulation, 18,685 Angolans and some 4,000 Rwandans were given residence permits and at the end of November 2016, 841 plots of land had been allocated to Angolans. In 2016, the UNHCR Zambia was working with an operational budget of USD6.4 million. Of this, USD3.8 million was designated for local integration activities. The total contribution of Zambia to refugee resettlement has never actually been calculated; however, given that the project has been ongoing since 2013, with funds continually channeled towards equipping the areas with basic facilities, it is estimated to be considerable. Donations from the US government to help refugees in Zambia in 2015 totaled USD2.9 million, of which USD1.5 million was earmarked specifically for resettlement schemes. Other donors included Germany, which has been instrumental in the funding of borehole drilling in the areas, the

Japan International Cooperation Agency, and the Japanese Association of Aid and Relief. In December 2016 this program came to an end, replaced in 2017 by the long-term Sustainable Resettlement concept. Two main settlement areas, Mayukwayukwa and Meheba, were redesigned in line with this initiative: half of each area became a designated refugee camp, with plots of land available to any registered asylum seeker; and the other half, a designated resettlement scheme, home to both Zambians and former Angolan or Rwandan refugees who had and have applied for integration.

The quest for an effective method to enable the shift from humanitarian interventions to long-term sustainable development for dealing with cases of protracted displacement is longstanding. The Program of Sustainable Resettlement, jointly conceived and developed by the Zambian government and the United Nations in Zambia, can be viewed as a primary vehicle that points to the country's successful transition in its dealings with displaced people from humanitarian relief to a developmental approach. The program has the aim of both meeting the high ambitions and standards of the 2030 Agenda for Sustainable Development, and also supporting the local integration of former Angolan and Rwandan refugees in Zambia into their new communities.

There are some similar programs being tested elsewhere in Africa, in Liberia and Tanzania for example; however, these do not have the same thorough application processes and long-term structures as Zambia's approach. In its infancy, Zambia's pilot program seeks further funding in order to be able to implement the final stages. Because of this, it is difficult to state the impact the program will have on the global displacement crisis, as well as on Zambia's long-term development and economic growth. However, it cannot be denied that well-planned integration of people is a step in the right direction toward boosting human capacity potential and the country's levels of productivity. What is more, the country's resettlement program, providing financing levels are reached so that the project can be seen through to conclusion, could be a worthwhile model for other nations worldwide seeking solutions to their respective refugee crises. ✕

GIVEN THE RIGHT SUPPORT, ZAMBIA'S ADMIRABLE RESETTLEMENT PROGRAM CAN BE A POSSIBLE MODEL FOR OTHER NATIONS SEEKING SOLUTIONS TO ONGOING REFUGEE CRISES.



POPULATION BREAKDOWN OF REFUGEES AND OTHER PERSONS OF CONCERN AS OF DECEMBER 2016

Location	Grand Total
Meheba settlement	20,388
Mayukwayukwa settlement	13,237
Self-settled (28 districts in 5 provinces)	12,404
Urban	11,180
TOTAL	57,209

SOURCE: UNHCR ZAMBIA, WORLD BANK GROUP, TBY RESEARCH

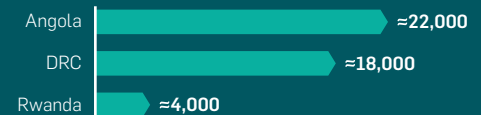
SUSTAINABLE RESETTLEMENT CONCEPT

- Involves two main settlement areas: **Mayukwayukwa and Meheba**
- One half of each area is a refugee camp for **registered asylum seekers**
- The other half is for a resettlement scheme for **Zambians and former Angolan or Rwandan refugees**

Zambia hosts refugees from Angola, Rwanda, DRC, Burundi, Mozambique, and Somalia



The majority of refugees come from:



57,209

persons of concern to UNHCR in Zambia as of December 31, 2016

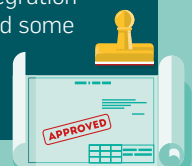
USD6.4 million

was UNHCR Zambia's operational budget in 2016. Of this, USD3.8 million was designated for local integration activities

USD2.9 million

in donations from the US to help refugees in Zambia in 2015. Of this, USD1.5 million was specifically for resettlement schemes

Under the 2013-2016 local integration program, **18,685 Angolans** and some **4,000 Rwandans** were given residence permits in Zambia





more than a MEMENTO

TBY talks to **Dr. Stergomena L. Tax**, Executive Secretary of the Southern African Development Community (SADC), on regional economic development, boosting pan-continental free trade agreements, and improving security through mutual development.

What are the mutual benefits of a partnership between Zambia and the SADC?

The SADC is an intergovernmental organization with broad political, security, and social economic objectives. The most obvious benefits of Zambia's participation are in the political and economic areas. Zambia benefits from the security cooperation amongst SADC countries, including the assurance of non-aggression from other member states and mutual assistance in combating cross-border crimes and illicit trade. Regional economic development cooperation also provides Zambia the opportunity to access a wider market for its products and investments in an integrated manner. The integrated market enables producers, traders, and investors to enjoy a tariff-free regime for products that originate from Zambia that comply with the requirements of SADC Free Trade Area. As such, Zambia enjoys an integrated market with the 15 SADC countries that participate in the SADC Free Trade Area, with a combined population of about 294 million. Other benefits include promotion of awareness of a common historical and cultural background with its neighbors; sharing of common political values, for example, through promotion of practices of democracy; and the enhancement of political influence in international forums.

SADC cooperation in foreign and security policy enhances influence of weaker countries

Zambia's key role in championing values of peace and security

What is the importance of regional integration in Africa, and how does the SADC work to secure this?

Regional cooperation and integration are important in Africa because of the benefits that member states derive from closer political cooperation and participation in expanded markets. Each country on its own is usually too weak to operate in the uncertain international political and security socio-economic environment. Cooperation in foreign and security policy enhances the influence of weak and fragile countries, when they speak with a collective voice in international political and socio-

economic systems, such as the UN, the EU, WTO, and globally dominant economies. The fragility and dependence of individual economies are reduced when a country participates in the international political and economic systems as part of a larger single-market entity. These are some of the reasons SADC was formed in 1992, with the purpose of promoting common action, to achieve prosperity and well-being of the peoples of southern Africa.

What is the significance of the planned SADC, Common Market for Eastern and Southern Africa (COMESA), and East African Community (EAC) free trade area for trade volumes in Zambia?

The Tripartite Free Trade Area, comprising COMESA, the EAC, and SADC is significant in that it will create an expanded and integrated market that is bigger than the SADC Free Trade Area. The expanded market will comprise of 26 member states, stretching from Cape Town to Cairo. This will cover a population of about 600 million people and a GDP of USD1.3 trillion. The major expected benefits will derive from provision of continent-wide access to Zambian goods and services, which could stimulate trade, investment, and economic activities across sectors and contribute towards employment, wealth creation, and overall economic development. The tripartite is anchored on three pillars: market integration, industrial

development, and infrastructure development. Cooperation in industrialization and infrastructure development from a tripartite context will, therefore, greatly contribute to social economic development, peace and security, political stability, and poverty reduction.

What will be the future areas of focus for the SADC-Zambian partnership?

The SADC Common Agenda derives from the SADC Treaty. The framework for cooperation and integration have, since the early 2000s, been the Regional Indicative Strategic Development Plan (RISDP) and the Strategic Indicative Plan for the Organ on Politics, Defence, and Security Cooperation (SIPO). These present the twin pillars of the regional strategies, which are developmental integration—RISDP—and political and security cooperation—SIPO. The latter facilitates deeper regional integration through the creation of conditions of peace, security, and political stability that are conducive to the attainment of the social economic objectives. The two pillars are considered interdependent and mutually re-enforcing, and the SADC seeks to enhance the complementarity between human development and human security. ✕

BIO

Dr. Stergomena L. Tax is a national of the United Republic of Tanzania, the sixth executive secretary, and the first female Executive Secretary of the Southern African Development Community (SADC). She was appointed by the SADC Summit of Heads of State and Government during its 33rd meeting in Lilongwe, Malawi, and was sworn in on August 18, 2013.

As though to complement its central geographical position in the region, Zambia is taking on a greater political position as one of the key countries backing the desire for more close-knit regional relationships in Africa.

THE KEYSTONE

WITH ITS economic, political, and geographical advantages, Zambia is a key member of regional communities and is set to play an ever-more instrumental role in intercontinental initiatives in the coming years. This is evident in its commitment to supporting certain regional integration programs spearheaded by the African Union (AU), the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), and the New Partnership for African Development (NEPAD). Zambia has been a member of the AU since 1964, COMESA since 1981, and NEPAD since 2013, and was one of the founding members of the Southern African Development Co-ordination Conference (SADCC), the predecessor to the SADC, established in Lusaka in 1980. Zambia has played an active role in all of these groupings, promoting and exemplifying major attributes of the collectives' mandate and signing up to their key initiatives.

Zambia's involvement in the AU grew in January 2017 when Albert Muchanga was named commissioner for the AU Commission for Trade and Industry. In addition, perhaps spurred by its landlocked nature, Zambia has been steadfast in its quest to work with the rest of Africa to expedite some of the AU's linkages programs. One such program is the African Highway project, designed to ensure infrastructure connectivity by road when completed by 2030. Similarly, Zambia is pushing for better connectivity via air and sea by 2025 and by rail by 2040. It is among the number of countries that will greatly benefit from in-country connectivity to the Africa Integrated High Speed Railway Network (AIHSRN), due for completion by the year 2063.

The AIHSRN is proposed to comprise 11 different routes, stretching the length and width of the entire continent. Lusaka is serviced by two of these lines: one reaching west to east, from Lobito to Beira, and the other north to south, from Cairo to Cape Town. Zambia has also been singled out as one of the countries in which components of the AIHSRN will be manufactured, with the collaboration of the Chinese government, at TAZARA Mpika. In order

for construction to take place, the AU has given the green light on a series of refurbishments to the TAZARA facilities.

Further to this, the representative for Zambia to the AU, Susan Sikaneta, revealed to TBV that "a regional training institute that will be established in Mpika will offer courses from certificate to PhD levels and will accordingly benefit Zambians alongside other students drawn from the region."

NEPAD, meanwhile, was the result of a decision by the AU to merge the Millennium Africa Recovery Plan (MAP) with the Omega plan for Africa. In June 2001, the UN laid out the framework for the New African Initiative (NAI), which was finalized by the OAU six months later and christened NEPAD. Its chief objectives are to: strengthen internal regional networks of infrastructure and trade; encourage advances in industrialization, technology, and innovation; better manage natural resources and increase food security; and develop human capital. More concrete goals include maintaining an average GDP growth rate of over 7% per annum for the next decade and a half, particularly stressing the sustainable nature of these rates.

Zambia has signed up to several of NEPAD's initiatives, including the Program for Infrastructure Development in Africa (PIDA), the Presidential Infrastructure Champion Initiative (PICI), and Africa Power Vision, focusing on the energy sector.

Some Zambian projects that have been launched as a result include the construction of an 8,000km transmission line system that stretches from Egypt through to South Africa, the initiative "Single African Sky" that will create a high-level satellite-based air navigation system for the continent, and a Zambia-Angola rail and road link.

Past successes of the AU, SADC, COMESA, and NEPAD reflect just how much can be achieved through regional integration in Africa. Further such activities are critical to the realization of Agenda 2063, triggering and promoting development in diverse areas at both the continental and national levels. ✖

INTERVIEW

TBY talks to **Hon. Harry Kalaba**, Minister of Foreign Affairs, on strengthening the country's foreign service, advocating for peace, and cementing new strategic ties.



a knack for NEGOTIATION

How do the ministry's initiatives seek to underpin the country's role as a focal point for regional activities?

Zambia is landlocked, surrounded by eight countries, and we view these eight countries as an opportunity for us to push our agenda in terms of foreign economic policy. As a strong member of COMESA and SADC, we consider ourselves as having an audience of about 850 million people within these regional groupings, which gives us a platform to be the focal point in the region in terms of foreign diplomacy. We look at a whole range of issues to strengthen our foreign economic policy. We seek to develop our Foreign Service Bureau, which aims to ensure Zambia realizes its priorities in its interactions with the international community. We also want to utilize the Foreign Service Bureau to attract professionals to work in order to adequately and sufficiently represent Zambia's requirements. What is more, Zambia is a member of the Peace and Security Council of the African Union, a platform we take full advantage of in order to promote the values of pacifism and diplomacy through-

out the African continent and indeed beyond. Our history as a country speaks volumes about our determination to advocate peace. We know that unless the region or the continent is peaceful, it is difficult for Africa to actualize its potential and fully develop, economically speaking.

What are the pillars of the government's foreign policy to attract FDI to the country?

We give precedence to regional and international cooperation. It is crucial to represent ourselves as a country that is open and conducive for investment in order to attract foreign interest. Peace and stability are a core part of this; we are one of the eight countries in Africa that has never experienced any form of civil strife. However, we also promote our national identity, our wealth of resources, and our people. The good investment planning that has been put forward by the government also speaks to potential investors in all sectors, for example in agriculture. Zambia is ready to receive FDI, and we will continue to open up various avenues to ensure that investment does indeed flow into our country.

What were the fruits of the fourth African-Arab Summit held this year in Equatorial Guinea and what do such gatherings mean for Zambia's relationship with the Arab world moving forward?

The African-Arab summit

was paramount. In the past, Zambia as a country did not take the time to develop the corridor with the Arab world. Now, however, we have truly turned our attentions to opening up mutual relations with the Middle East. At this summit, the action plan for 2017 and 2019 was developed, and this in turn will help channel avenues of investment into Zambia. We have cooperated with the Arab world in the past, though our relationship has always been through bilateral aid, via institutions such as the Saudi Fund, the Kuwait Fund, and the Abu Dhabi Fund. Through these, we have been able to see areas such as agriculture, health, and tourism open up for Zambia. To be more specific, we will receive funding for the Sicomo Collabo Road in Western Zambia, a strategic road that could greatly enhance Zambia's connectivity with the rest of the world. In 2017, there are several meetings planned with our Arab brothers and sisters. I will travel to the Gulf in 2017 on a trip to cement relations between the Arab world and our country.

With which other parts of the world is Zambia forging strong ties?

We continue to strengthen our relationship with China. The historical ties between the nations go back many years: Zambia has supported and continues to support the One China policy, while Chi-

**Zambia as
a peace
ambassador for
the continent**

na was instrumental in establishing TAZARA, which was a lifeline for the country in terms of imports and exports in the 1970s. Our relations with China were fostered under the umbrella organization the Forum for China and Africa Cooperation (FOCAC). Zambia also enjoys strong ties with many countries, such as the US, Germany, and Japan, and each is a unique relationship. ✕

BIO

Hon. Harry Kalaba has been Zambia's Minister of Foreign Affairs since 2014. Prior to that, he served as Minister of Lands, Natural Resources, and Environmental Protection, as well as in the Vice President's office. He has a degree in philosophy from Urbaniana University in Rome, and a diploma in public administration from the Uganda Management Institute.

A PLACE *to live for*



TBY talks to **Susan Sikaneta**, Ambassador of Zambia to Ethiopia & Permanent Representative to the African Union and Economic Commission for Africa, on championing peace across the continent, advancing women's rights, and promoting Pan-Africanism.

How has Zambia contributed to the African Union over the years?

Zambia, through Dr Kenneth David Kaunda, was one of the founding members of the OAU in 1963. The OAU's main agenda was to attain independence for the whole of Africa from colonial rule. Zambia became a leading country in the liberation struggle of the southern African states: Angola, Mozambique, Namibia, South Africa, and Zimbabwe. With almost the entire African continent liberated, Zambia has continued to champion peace for the continent. Zambia was elected to the African Union Peace and Security Council (PSC) in 2016 for a three-year term and since then it has used the seat on the council as a strong advocate for peace and security on the continent. In 2016, Zambia hosted the PSC in Lusaka, where the Roadmap on Practical Steps to Silence Guns in Africa by 2020 was drawn up. It has also taken part in missions of peace-building in coordination with the UN and EU to discuss resolution of conflicts in the Central African Republic, the Democratic Republic of Congo, Libya, Mali, Burundi, and South Sudan.

Following your championing of women as peacemakers, what initiatives have been launched by the AU to harness female potential across Africa?

There can be no sustainable and lasting peace without the active involvement of women. Participation of women

in conflict prevention, peacekeeping, and peace building is extremely important and cannot be overemphasized if we are to ensure success in Africa's peace-making efforts. However, female representation in peacekeeping and in protecting lives in challenging security environments is too low for comfort. Some initiatives have been launched by the African Union to empower women and involve them in peace-making. In 2004, the Solemn Declaration on Gender Equality in Africa adopted by heads of state and governments called on the need to ensure the full and effective participation and representation of women in peace processes, including the prevention and management of conflict and post conflict reconstruction in Africa and to appoint women as special envoys and special representatives of the African Union.

How can collaboration between the AU and Zambia help tackle the challenges facing Zambia currently?

The government of the Republic of Zambia under the directive of HE President Lungu successfully ratified and deposited a number of OAU/AU treaties from the time he took office as President in January 2015 to date. These include the following instruments that were ratified and deposited at the African Union Commission: The General Convention on the Privileges and Immunities of the OAU; The African Charter

on the Values and Principles of Public Service and Administration; the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Older Persons; the Protocol on the Establishment of the African Monetary Fund (AMF); and the African Union Convention on Cyber Security and Personal Data Protection, among others.

What areas will the AU-Zambia partnership focus on in the future?

Zambia and the African Union have enjoyed a strong relationship since the early 1960s. Zambia is a founder member of the OAU and now the AU and is committed and consistent to the ideals of Pan Africanism. In 2001, Zambia hosted, in Lusaka, the historic Summit of Heads of State and Government, which led to the transformation of the OAU into the AU. Projects of focus that Zambia is involved in include the Integrated High Speed Train Network (IHSTN), which intends to connect all African capitals and commercial centers through an African High-Speed Train in order to: facilitate the movement of goods, services, and people, reduce transport costs, and relieve the congestion of current and future systems; hosting the Africa Centre for Disease Control (Africa CDC) in Ndola; the Economic Social and Cultural Council (ECOSOC), whose headquarters are to be constructed in Lusaka; and finally hosting the AU Summit in 2022. ✖

BIO

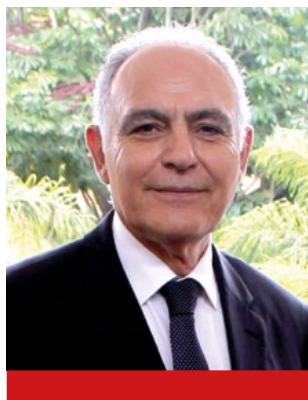
Prior to serving as Ambassador of Zambia to Ethiopia and Permanent Representative to the African Union and Economic Commission for Africa, Susan Sikaneta was High Commissioner of Zambia to India and served for 12 years as permanent secretary in Zambia's Ministry of Information and Broadcasting services, Cabinet Office, Lusaka Province, Ministry of Home Affairs and Ministry of Youth, Sports and Child Development. From 2002 to 2005, she worked as Ambassador of the African Union, and was the First Executive Secretary of the African Union at the Southern Africa Regional Office in Malawi.



MOHAMMED BOUSSAID
Minister of Economy and Finance, Kingdom of Morocco

How is Morocco strengthening its relations with Zambia?

MOHAMMED BOUSSAID The recent visit was the first official visit of His Majesty King Mohamed VI to Zambia. We are currently reinforcing our diplomatic relationship with Zambia, in line with our new approach of forging ties at both an economic and social level. The Zambian economy boasts huge potential for growth. The country's geography means investment in Zambia is also an investment in the eight countries that border it. Zambia is part of SADC and COMESA, which means it is well integrated into a network of cooperating states, all working together for a common goal. This is another asset for investors. What is more, there are many parallels that can be drawn between Morocco and Zambia, and, therefore, the relationship can also become an important one of knowledge sharing. The three priorities for Zambia's economy are also Morocco's priorities: agriculture, tourism, and energy. In these areas, Morocco has experience and expertise. As such, on this visit we have signed 19 agreements with the Zambian government, most of which are with the private sector, in all areas, from human development projects to renewable energy.



SALAHEDDINE MEZOUAR
Minister of Foreign Affairs and Cooperation, Kingdom of Morocco

SALAHEDDINE MEZOUAR

There were six or seven agreements consolidating the legal relationship between the two countries, as well as agreements from private-to-private sectors and public-to-private. These were in a number of fields. For example, we know that the potential for agricultural development in Africa is tremendous. Morocco has a rich and successful history in agricultural development, and our neighbors acknowledge this and ask us to bring this experience to the table. We want to help structure the development of agriculture, contributing to the know-how, investment, and investment planning in agro-business. Regarding the issue of minerals, the African continent, and in particular Zambia, boasts significant resources. When we consider that currently 70% of the Zambian economy depends on such exports, it is obvious that structuring the industry effectively can be key to creating wealth and employment. However, at the moment, there is extraction and export but no transformation, and if there is no transformation, no value-addition to raw products, then there is a minimum cap on the amount of wealth and in-country employment that can be created. This was the motivation behind the signing of the memoran-

dum of understanding between the Zambian Ministry of Mines and Morocco's office for hydrocarbons and mining (ONHYM).

What are you doing to encourage further integration across the continent?

MB In Morocco, we believe strongly in South-South cooperation. We also believe that through regional integration, we can cooperate with each other to solve many problems ourselves. We can share public policies and experiences. That is why, in the last 15 years, His Majesty has made around 45 visits to 26 different countries. In this time, His Majesty has put Africa on the top of the list of priorities for foreign relations, because of this strong conviction that the continent, which has for many years had negative connotations, can represent hope for humanity and the world. It is a dynamic continent, with many social and economic transformations taking place over the last decade. The growth rate on average has been at about 5%, many countries have stable governments, and democracy is widespread. All of these developments shed a positive light on the continent, in turn unveiling new opportunities to invest and collaborate. This is leading to mass job creation and sustained development.

SM Returning to the African Union after more than 30 years away is like a return to our in-

south-south SYMBIOSIS

Morocco is heavily invested—politically, economically, culturally, and socially—in ensuring that Zambia remains a critical piece of the African puzzle going forward.

stitutional family. Morocco has always been involved in Africa. After South Africa, Morocco is the second-largest African investor on the continent. In 2020, we have ambitions to become the first not only in terms of economic development, but also in terms of human development and culture. Morocco also fully supports the process of spreading peace across the continent. Many parts of Africa face challenges of fighting extremism and to do so it is crucial to boost cooperation among nations. His Majesty Mohammed VI has a vision for Africa. Africa is a continent with great potential, a continent of the future, but one grappling with many obstacles. Thus, the continent has two alternatives: become a problematic continent for the rest of the world in terms of democracy and political stability, or become a driving force—as one of the landmasses with a rapidly growing population—behind ensuring global peace and security. Morocco entered the African Union with this vision in mind. We want to share with our neighbors all that we have acquired in terms of experience, know-how, and capacity, to add value to the continent. There is a new generation of Africans, with potential, ideas, and innovation. The problem is organization, cooperation, and learning to work together. The visit to Zambia was part of Morocco's commitment to strengthening our ties with all African countries. ✖

TBY talks to **Mladen Ivanić**, Chairman of the Presidency of Bosnia and Herzegovina, on strengthening economic ties, bilateral knowledge transfers, and building upon historically friendly ties.



in for the **LONG HAUL**

There have been longstanding close relations between Zambia and the countries of the former Yugoslavia. In what ways has the fruitful relationship between the two countries developed over time?

Yugoslavia and Zambia have cemented a close relationship over time. Bosnia and Herzegovina continued to promote friendship with Zambia after establishing our diplomatic relations in 1995. However, between BH and Zambia, as with most African countries south of the Sahara, there has never been an exchange of official bilateral visits. In spite of this, officials from both countries have met before, most frequently on the margins of international conferences, and contacts between diplomatic representatives of the two countries have been exchanged elsewhere in the world. However, I am convinced that mutual cooperation would be highly beneficial to both parties, and am optimistic regarding the future. With boosted interest from both sides, the relations of the two countries will enter a new chapter.

What measures can be taken by both governments to boost levels of trade and economic activity?

Currently, there is limited trade between Bosnia and Herzegovina and Zambia and little mutual investment registered regarding initiatives in the economic field. We know Zambia is developing rapidly and has become one of the biggest construction sites in Africa. During the Yugoslavian period many companies

from Bosnia and Herzegovina worked in Zambia, including Energoinvest. Today, Zambia needs researchers, experts, and operative workers in the mining industry to undertake operations like open pits and mining extracting. In this regard, it makes sense for us to strengthen ties in this area, since Bosnia and Herzegovina has many workers and experts of that kind. We would gladly cooperate between mining institutes and faculties.

Bosnia and Herzegovina is enjoying stability after a period of conflict. Since Zambia is often seen as a haven of stability in the Sub-Saharan region, what political and ideological overlap exists between the two nations, and how is this reflected in the two countries' collaboration efforts?

The war in Bosnia and Herzegovina ended nearly 22 years ago. Despite numerous tensions in the region that inevitably resurge from time to time, I am optimistic when it comes to the future. Two decades have passed since the war and we have achieved stability and security, even in the face of adversity, given that Bosnia and Herzegovina is a country with an extremely complicated internal structure, different nations and religions, and numerous domestic differences. There is a true consent within Bosnia and Herzegovina that our place, as well as the entire region, is in the EU. At times, it has seemed difficult to live in the Balkans and in Bosnia and Herzegovina; however, much can be learned from the people of our country and the way in which they have fought

In February 2017, Zambia's Ambassador to Bosnia and Herzegovina presented his credentials to the Presidency in Sarajevo

for national harmony. I believe that with Zambia experiencing similar peace and stability, even with a complex internal social structure, there is much that can be shared in these experiences.

Tourism and cultural exchange have been pinpointed as areas of interest for the two countries. What initiatives in particular will be launched to support this venture?

Both Bosnia and Herzegovina and Zambia have emphasized in their diplomatic correspondence the interest for cooperation at all levels, although so far concrete initiatives and implementation have not come to fruition. Mainly regional concerns were to blame for this. With Zambia as well as other sub-Saharan countries, except in rare instances, Bosnia and Herzegovina has failed to establish intensive cooperation, in spite of the friendly relations that have dated back to the time of Yugoslavia. We have a great deal to offer when it comes to culture and tourism. We are fortunate that our culture and arts are well developed, despite the comparative lack of financial allocation in this area. Many of our artists and cultural workers have won numerous awards and achieved global acclaim. We are nestled in the heart of the Balkans: blessed with spectacular mountains, valleys, lakes, and even a small coastline. ✕

BIO

Mladen Ivanić has been Chairman of the Presidency of Bosnia and Herzegovina since 2016. He was elected as the member of Presidency from the Republika Srpska at the general elections held on October 12, 2014. He holds a PhD in economics from the University of Belgrade, and completed Postdoctoral Studies at the University of Mannheim (Federal Republic of Germany) and the University of Glasgow (UK). He has worked as a journalist, consultant, and politician, holding office as the Minister of Foreign Affairs, and the Vice-President of the Parliamentary Assembly of the Council of Europe. He also currently teaches economics at the University of Banjaluka.



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TBY talks to Sebastian C. Kopulande, CEO of Zambia International Trade & Investment Centre (ZITIC)

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Finance Minister Felix Mutati launched the government's economic recovery program in October.

33

In light of intervention by the IMF, companies will have to get creative to boost productivity.

Economy

REVIEW

Falling demand for its mineral exports has slowed the Zambian economy in recent years, but a recommitment to fiscal prudence and the new Economic Development Plan should help bring about new growth.

A FINE BALANCE

After a decade of strong growth that saw its GDP peak at USD28.045 billion in 2013, Zambia saw difficult years in 2015 and 2016 due to a number of economic factors. Decreased demand for the nation's primary mineral exports resulted in cascading issues that have led to fiscal issues and declining GDP growth. Still, Zambia is widely considered to have some of the highest economic potential in Sub-Saharan Africa thanks to its natural resources, political stability, and openness to foreign investment. Recent projects have begun the process of creating the infrastructure and fiscal stability needed to develop a more robust economy able to add value to the nation's natural resources. It will be a lengthy process, but Zambia's international relationships should help forge the knowledge transfers needed to push the nation's economy to the next level.

KEY FIGURES

Like many other African nations, Zambia's economy



Image: Jamiel Banda

Like many other African nations, Zambia's economy is largely predicated on the extraction of its natural resources.

is largely predicated on the extraction of its natural resources. Mining is the country's most important industry; copper exports make up some 80% of Zambia's foreign earnings, and cobalt, silver, and precious stones are all extracted in large amounts. The bulk of this goes to China, which receives over a quarter of all Zambian exports. Mining revenue grew from ZMK7.6 billion in 2013 to ZMK7.7 billion in 2013 and ZMK8.8 billion in 2014, but dropped 9% in 2015. Although production rose from 708,259 tons in 2014 to 710,860 tons in 2015, falling global demand—particularly from China—drove prices down 23%. As a result, GDP growth fell to 2.92%, well below the 7.7% growth that was the average from 2000-2010. 2016 growth remained at approximately this rate of 3%, but an IMF regional economic report in late 2016 projected that Zambia's GDP would rise slightly to 4% in 2017, then to 4.2% in 2018. While still below the 7% figure that is needed to continue reducing poverty rates, this is a step in the right

direction for an economy that has taken more than its fair share of knocks over the past few years.

FISCAL ISSUES

One of the largest economic issues facing Zambia right now is the fiscal issues that have come about as a result of the fall in mining-related exports. After a decade of strength, the kwacha dropped by 50% against the USD in 2015, making it Africa's worst-performing currency. The corresponding higher price of imported goods led to rising inflation, and despite government efforts Zambia saw inflation rise from 7.9% in 2014 to 21% in 2015 and 19% in 2016. At its peak in February 2016, Zambia saw inflation reach 22.9%, leading to international concerns about the stability of the nation's economic program. In an attempt to curtail inflation, the Bank of Zambia raised the policy rate from 12.5% to 15.5% in 2015. This bit of monetary policy has been largely successful in accomplishing the central bank's primary goal of cutting the inflation rate to single digits and lowering the prices of essential consumer items such as food and vehicles, but the higher policy rate has raised borrowing costs, limiting the access to credit needed for investment and growth. Well aware of the challenging balancing act it must undertake,

the Bank of Zambia announced in late February 2017 that the policy rate would decrease from 15.5% to 14%, citing the fact that inflation has further slowed from 7.5 to 7% as of January 2017. The hope is that this increases the flow of credit in the economy.

Zambia is also dealing with increased fiscal deficits that came about due to its contracting economy. High levels of public investment combined with flagging revenues have pushed spending well above the level that revenues can support, leading to concerns about the health of the nation's accounts balance. Since 2010, Zambia's public expenditures have increased at an average of 13.8% yearly, reaching 28.1% of GDP in 2015. In tandem, fiscal deficits have risen from 1.8% of GDP in 2011 to 5.5% of GDP in 2014 and 9.4% of GDP in 2015. The deficit remained at about 10% of GDP in 2016, but the Zambian government proposed measures to close the deficit late in the year, and has stated that it hopes to reduce the gap to 7% of GDP in 2017. This comes in the midst of growing international concern about the country's economic system; investors and global financial organizations have criticized the Zambian government for not making the necessary expenditure adjustments quickly enough when revenues failed to meet expectations.



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In an effort to alleviate investor concerns, Zambia's ZMK64.5 billion 2017 budget should bring strong fiscal consolidation policies and monetary reforms aimed at balancing the nation's budget sheet. The budget calls for domestic borrowing to be limited to 2% of GDP and increase revenue to 18% of GDP. At the same time, Zambian government officials recognize that the country still has significant social expenditure needs, so the 2017 budget eschews the austerity programs that some international officials were calling for and increases total expenditure from ZMK50.4 billion to ZMK61.4 billion. This includes increases in education spending (ZMK9.1 billion to ZMK10.6 billion), health spending (ZMK4.4 billion to ZMK5.8 billion) and agriculture, which saw the Farmers Input Support Program budget increased by 160%. While public debt remains an issue that the government is dedicated to cutting, the 2017 budget reflects the belief that spending is still required to generate the growth that will alleviate Zambia's fiscal issues.

ECONOMIC RECOVERY PROGRAMS

These budgetary questions have taken center stage due to the Economic Recovery Program that Zambia has recently launched in order to right its economic ship. Announced by the Minister of Finance in October 2016, the plan has five central pillars: fiscal sustainability, increasing social protection, cutting waste, improving budget credibility, and promoting economic stability by reducing constraints to private sector development. The 2017 budget represents the first steps taken toward this goal, and the Zambian government is in the midst of delivering further reforms that will prevent waste and increase efficiency. One action already taken was the acquisition of a USD50 million line of credit from the African Development Bank to set up an SME lending program. More than 70%

On the horizon is a potential aid program with the IMF. In late 2016, Zambian government officials held talks with the global monetary organization, which has previously stated that the country's budget deficit is a concern.

of Zambia's GDP and 88% of all employment in Zambia comes from SMEs, and Zambian officials hope to support over 1,000 SMEs with the program, increasing employment, strengthening infrastructure, and creating a more diverse economy.

Also on the horizon is a potential aid program with the IMF. In late 2016, Zambian government officials held talks with the global monetary organization, which has previously stated that the country's budget deficit is a concern. The IMF has supported Zambia's fiscal consolidation efforts and believes that a well-structured aid program could bring new confidence to global markets. Discussions are still ongoing, but Zambian officials have stated that they expect to reach an agreement within the first half of 2017. Further fiscal consolidation would likely be at the core of any IMF deal, as recent debt sustainability studies conducted by the IMF and World Bank have analysts concerned about Zambia's ability to meet its debt obligations. Of particular concern are Zambia's Eurobonds, which mature between 2022 and 2077. Zambia is due to pay USD750 million when the first Eurobonds begin to mature in 2022, and its inability to do so would obviously be harmful. Future assistance would probably come in the form of the Extended Credit Facility, which gives access to financing tailored to Zambia's needs while the IMF sets structural benchmarks to meet these goals. ✖



STEVEN BARRY
Managing Director, G4S

What is the significance of G4S' operations in Zambia?

G4S has been operating in Zambia for over 50 years, from Lusaka down to Livingstone, while the other is the northern region of the Copperbelt, up to the DRC border. We are by far the largest security company in the country when it comes to employee numbers and revenue. We have over 6,000 employees in Zambia and three main revenue streams. The basic "manned guarding spaces" is our largest operation; however, we also have a significant cash solutions business here as well, which has the cash-in-transit service with a network of armored vehicles. Our third business segment in Zambia is electronic security solutions.

What are the latest developments in security technology G4S is using in Zambia, and how do you assess the appetite for digital services among your clients here?

We are currently piloting a body cam GPS tracker for our guards, which records the activities of our security officers during their whole shift; images and conversations can be downloaded at a docking station. On the electronic security side, access control systems are becoming increasingly based on online bio-metrics, which can replace manpower in some cases and give the customer more management intelligence about a building or operation.*



TBY talks to **Hon. Margaret Mwanakatwe**, Minister of Commerce, Trade and Industry, on the FTA with Egypt, the significance of the private sector, and the country's role in international trade.

What is your assessment of the meetings in Egypt recently regarding the Tripartite FTA (TFTA)?

The launch and signing of the TFTA agreement signify an important political milestone toward the establishment and operation of a fully fledged free trade area. It represents free movement of goods and services from the Cape to Cairo, bringing together a market of over 625 million people, living in one of the highest growth areas of the world with a booming middle class in 26 countries and a combined GDP of USD1.3 trillion, about 60% of the African continent's GDP. For Zambia, the TFTA represents a significant market for Zambian goods and services once effectively exploited. Total merchandise exports by TFTA members was USD145 billion and merchandise imports of USD211 billion as of 2014. This is a massive market for our finished and semi-processed goods and gives us the market access to our producers, which are struggling to

BUILDING *a better market*

secure a share in developed markets due to non-tariff barriers. The establishment of the TFTA will undoubtedly boost trade among the participating countries as a result of market expansion and contribute to the African Union Agenda of boosting intra-Africa Trade.

What is the status of the 11 bills presented to parliament to consolidate private-sector participation?

The 11 bills represent my ministry's aggressive agenda to reform the business environment. The bills relate to strengthening intellectual property rights, trade facilitation, re-engineering of the national quality infrastructure; aligning company law to international best practices and expanding access to finance for micro, small, and medium enterprises. The bills are at different stages in the legislative process. Most of these bills have been approved by the cabinet and are now undergoing legislative drafting.

How do you expect international trade to evolve in Zambia in the next five years?

The evolution of Zambia's trade in the next five years will be dictated by regional integration. The phase II negotiations under the Tripartite FTA framework and the Continental Free Trade Area negotiations will change the trade arena in Africa. Zambia needs to position herself to capitalize on this expanded market. If we do not position our industry to become a key regional player, we will be faced with high levels of imports into our country, which can lead to the death of local industry. We are confident that our experiences with COMESA and SADC

In terms of doing business, Zambia is ranked 5th in Sub Saharan Africa, 3rd among SADC countries, 4th in COMESA, and 8th in the whole of Africa

FTA's have made us stronger. At the international level, the Economic Partnership Agreements with the EU and the implementation of the trade facilitation agreement present new challenges we must be prepared for even as we consolidate ourselves as a middle-income country.

What are the comparative advantages of Zambia over neighboring countries and why should an investor choose Zambia?

Zambia's comparative advantages lie primarily in its abundant resources. It has vast land, 752,614sqkm, with a population of approximately 15 million people, with over 70% of the population below the age of 40. We have vast natural resources in terms of minerals, tourist sites, water, and land for agriculture. The country has had a stable economy with growth averaging 6% over the last decade, stable inflation averaging 7% over the last five years, as well as a stable political and social environment since the country gained independence in 1964. In terms of doing busi-

ness, we are ranked fifth in Sub Saharan Africa and third among the SADC countries, fourth in COMESA, and eighth in the whole of Africa, pointing to the conduciveness of our business environment over most of our neighbors. We share borders with eight countries, making us land-linked. The country's central location in the region gives it a competitive market. Zambia has no controls on prices, interest rates, or foreign exchange transactions, free repatriation of earnings and repayments, as well as security and guarantees of full and fair compensation for investors. ✕

BIO

The Hon. Margaret Mwanakatwe has been serving as the Zambian Minister of Commerce, Trade, and Industry since her appointment in 2015. Prior to her entry into politics, she occupied several executive positions with Barclays Bank in Zambia, Ghana, Nigeria, and Uganda. She was the first Zambian and first female to serve as CEO at Barclays Zambia, and the first woman CEO in all of Barclays Bank's African subsidiaries at the time. She later joined United Bank for Africa (UBA) as the Director of Business Development. She has a degree in business administration from the University of Zambia and is a certified chartered accountant.

INTERVIEW



How will the Zambia Plus program contribute to Zambia's immediate economic recovery and long-term growth?

On November 11, 2016, the Minister of Finance outlined the budgetary policy for 2017. In this speech, he announced the Zambia Plus economic recovery program. Driven by Zambia and Zambians, but supported by the IMF and oth-

BIO

Sebastian C. Kopulande is the CEO of ZITIC, which he established in 2009. He is a Rhodes scholar and has an M. Phil in management studies from Oxford. In 1993, he was elected as a PEW Economic Freedom Fellow at Georgetown University, where he studied transitional economics. He has worked as a Management Consultant for Deloitte & Touche, and has held senior management positions in various companies in Zambia. On August 11, 2016, he was elected as the first Member of Parliament for Chembe Constituency in Luapula Province, northern Zambia. Upon entering parliament, he was appointed as Zambia's Representative to the African, Caribbean and Pacific-European Union Joint Parliamentary Assembly (ACP-EU JPA), where he was also elected as Rapporteur on Aid Effectiveness.

the RIGHT stuff

TBY talks to **Sebastian C. Kopulande**, CEO of Zambian International Trade & Investment Centre (ZITIC), on taming austerity, stimulating sustainable growth, and creating the framework to support entrepreneurship

er cooperating partners, the program is both sound and revolutionary. Zambia is looking inside itself, seeking those domestic resources to develop the economy, improving resource mobilization from within the country. Additionally, higher levels of accountability in public expenditure will encourage private investment in the country. Scaling up government social protection will ensure that any austerity measures taken by the government will not have adverse effects on the poor and vulnerable. All these packages put together will be instrumental for reengineering our economy and moving our country forward on the path to prosperity.

How confident are you about the new government's promises to transform a long-standing rhetoric of diversification into policy, action, and results?

Economic diversification in Zambia has been on the cards for many years, though we have never really shown ourselves to be truly serious about it. Now, for the first time in the history of our country, we are seeing a more positive effort toward diversifying the economy. On November 26, 2015, the president held a press conference reiterating the drive to move Zambia from a copper mining economy to an agricultural economy. He announced a number of initiatives that have to do with improved agricultural activity, manufacturing, and value addition. Furthermore, in the past, our approach to economic diversification has been as volatile and as unpredictable as copper prices themselves. Each time we have slumps in

commodity prices, especially copper, we start talking about the need to diversify the economy. Once the prices come back to higher levels, we forget about it. However, now, with the combined efforts from the government and external investors, we can see that there is more of a long-term and developmental approach. For example, a Zambian delegation has just returned from Israel, a country that is at the global forefront of agricultural development.

What are the main obstacles facing investors?

The principal issue facing foreign parties considering investing in Zambia is the issue of policy consistency. When we talk about investors we mean long-term investors, not simply portfolio investors: people looking at agriculture, value addition, forestry, infrastructure, water, and energy. These are the kinds of investors we should seek to attract, since this kind of investment will form a solid foundation for economic growth. Because the gestation periods for these investments are much longer, there needs to be stability in government and government policies. Secondly, we also have to agree on the key sectors we want to drive. The mining industry, for example, has until now been a key focus, though this has not really stimulated growth in other growth sectors. Indeed, the sector still relies heavily on imports, and has not even aided in boosting local manufacturing.

What can be done to boost local production in Zambia?

The first obstacle to boosting local production is access to

- A lack of access to capital is hampering domestic production
- Policy consistency is needed to bring in long-term committed investors that will give back to the economy

financing. Innovation is high; we have many entrepreneurs coming up with radical ideas in terms of value addition and processing. However, for the past few years, access to capital has been highly constrained and basically unavailable. We have only been a liberal economy for about 25 years. In 1991, the economy was 80% in the hands of the public sector. Because of this history, there have been some natural constraints in terms of how the financial sector creates the framework to support entrepreneurship. Our financial community includes 19 financial institutions, of which only one is a development bank. All the other 18 banks only lend money across the table for 12 months, which does not sufficiently allow for investing in value addition or manufacturing. Furthermore, interest rates have been prohibitive. ✖



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